

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 399 - HB 1178**

February 5, 2023

**SUMMARY OF BILL:** Exempts hotels and motels located in Goodlettsville from the additional one percent hotel occupancy privilege tax and the additional \$2.50 per night of hotel occupancy privilege tax imposed by Metro Nashville.

**ESTIMATED FISCAL IMPACT:**

**Decrease Local Revenue – \$830,600/Each FY23-24 through FY25-26/Davidson County  
\$664,400/FY26-27 and Subsequent Years/Davidson County**

**Forgone Local Revenue – \$359,300/FY23-24 and Subsequent Years/Davidson County**

**Assumptions:**

- Goodlettsville currently levies a three percent hotel occupancy privilege tax on top of the six percent hotel occupancy privilege tax levied by Metro Nashville.
- Pursuant to Tenn. Code Ann. § 67-4-1415, Metro Nashville is authorized to raise the hotel occupancy privilege tax by one percent to be allocated for the exclusive use of the sports authority for the payment of debt service for the construction of an enclosed stadium with at least 50,000 seats and for future capital improvements.
- The Metro Nashville City Council approved a one percent increase to the hotel occupancy privilege tax in December 2022, raising the hotel occupancy privilege tax from 6 percent to 7 percent; the proposed legislation would exempt Goodlettsville from this increase.
- Such tax increase is effective upon approval of final, binding documents to construct the stadium, which has not yet occurred; therefore, the additional tax is not yet being collected and the impact of this legislation on this additional tax will be considered forgone. Based on information provided by Metro Nashville, it is assumed that the additional tax would be imposed approximately at the start of FY23-24.
- Based on information provided by the City of Goodlettsville, collections from the 3 percent hotel occupancy privilege tax were \$956,829 in FY21-22.
- There is currently only one hotel in the Sumner County portion of Goodlettsville. The hotel occupancy privilege tax collections from this entity were \$2,475 in FY21-22; therefore, the hotel occupancy privilege tax collections from the Davidson County portion of Goodlettsville were \$954,354 (\$956,829 - \$2,475) in FY21-22.
- Fiscal Review Committee staff's current estimates for total sales tax collection growth rates are 8.53 percent in FY22-23 and 4.06 percent in FY23-24. Assuming identical

**SB 399 - HB 1178**

growth rates in tax collections from the 3 percent hotel occupancy privilege tax in Goodlettsville, total such collections under current law are estimated to be \$1,077,812 ( $\$954,354 \times 1.0853 \times 1.0406$ ) in FY23-24. For the purposes of this fiscal analysis, this number is assumed to remain constant into perpetuity.

- The forgone local revenue to Davidson County is estimated to be \$359,271 [ $(\$1,077,812 \times (1\% / 3\%))$ ] in FY23-24 and subsequent years.
- Pursuant to Tenn. Code Ann. § 7-4-202(a), there is currently an additional \$2.50 per night privilege tax upon the occupancy of a hotel room in Metro Nashville. Pursuant to Tenn. Code Ann. § 7-4-202(d)(2), the authority to charge the top \$0.50 portion of that tax expires on May 21, 2026. Therefore, it is assumed that, under current law, the full \$2.50 tax would be charged through May 21, 2026 and that a tax of \$2.00 would be charged after that date.
- Proceeds from the \$2.00 portion of the tax are allocated to Metro Nashville's Event and Marketing Fund; proceeds from the remaining \$0.50 tax are allocated to Metro Nashville's Convention Center Fund.
- The proposed legislation removes this privilege tax in the Davidson County portion of Goodlettsville. For the purposes of this analysis and due to uncertainty of tax collections in the future, the FY25-26 impact is assumed utilizing the entirety of the \$2.50 tax.
- Based on information provided by the Department of Health, there are currently 1,517 hotel rooms in the Davidson County portion of Goodlettsville.
- For the purposes of this analysis, it is assumed the average hotel room in the Davidson County portion of Goodlettsville is occupied 60 percent of the time in a given year; therefore, the estimated number of days the average hotel room in the Davidson County portion of Goodlettsville is occupied is 219 ( $365 \times 60\%$ ).
- The mandatory recurring decrease in local revenue to Davidson County is estimated to be \$830,558 ( $1,517 \text{ rooms} \times 219 \text{ days} \times \$2.50$ ) in each FY23-24 through FY25-26 and \$664,446 ( $1,517 \text{ rooms} \times 219 \text{ days} \times \$2.00$ ) in FY26-27 and subsequent years.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/mk